

Message Text

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PAGE 01 MOSCOW 02436 182237Z

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SUBJECT: SALZGITTER-SOVIET CONTRACT FOR CHEMICAL PLANT

1. DURING CONVERSATION WITH COMMERCIAL ATTACHE FEBRUARY 17,
FRG EMBOFF PROVIDED SOME INFORMATION ON CONTRACT SIGNED FEBRUARY
5 BETWEEN FRG FIRM SALZGITTER AND TEKHMASHIMPORT FOR SUPPLY OF
PLANT TO PRODUCE ETHYLENE GLYCOL. TOTAL VALUE OF CONTRACT IS
SLIGHTLY LESS THAN 200 MILLION DM AND FINANCING WILL BE PROVIDED
BY USUAL GROUP OF MAJOR GERMAN BANKS. ACCORDING TO FRG EMBOFF,
CONTRACT PROVIDES FOR PAYMENT ON "MORE THAN 100 PERCENT COMPENSATION
BASIS," AS INTEREST RATE ON CREDIT WILL ALSO BE REPAYED IN
FORM OF DELIVERIES OF ETHYLENE GLYCOL.

2. COMPETITION ON THIS CONTRACT CAME FROM FRENCH ENGINEERING FIRM
TECHNIP. INTERESTINGLY, BOTH SALZGITTER AND TECHNIP PROPOSALS WERE
BASED ON TECHNOLOGY SUPPLIED BY U.S. FIRM SCIENTIFIC DESIGN.

3. COMMENT: IN DISCUSSING THIS CONTRACT WITH FRENCH COMMERCIAL
OFFICER, COMMATT WAS ADVISED THAT MAJOR POINT OF DIFFERENCE
BETWEEN FRENCH AND FRG PROPOSALS WAS UNWILLINGNESS
OF FRENCH FIRMS TO AGREE TO 100 PERCENT COMPENSATION PAYMENT.
FRENCH COMMOFF OBSERVED THAT, AS FAR AS CHEMICAL PLANTS CONCERNED,
COMPENSATION PROJECTS APPEAR TO BE "WAVE OF FUTURE" AND SAID THAT
FRENCH FIRMS WOULD HAVE TO BE MORE FLEXIBLE IN FUTURE IF THEY
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PAGE 02 MOSCOW 02436 182237Z

HOPED TO OBTAIN LARGE CONTRACTS IN USSR. FRG EMBOFF SAID HIS

AUTHORITIES WERE NOT TERRIBLY HAPPY OVER REPAYMENT ARRANGEMENTS BUT REGARDED CONTRACT AS USEFUL AND TIMELY IN VIEW OF SALZGITTER'S FINANCIAL CONDITION. AS STATE-OWNED COMPANY, SALZGITTER WOULD PRESUMABLY BE ELIGIBLE FOR FINANCIAL ASSISTANCE FROM BUDGETARY SOURCES AS REQUIRED, AND SOVIET CONTRACTS MIGHT SERVE TO REDUCE SUCH REQUIREMENTS.

SOTESSEL

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